MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

PAT0074 – INTRODUCTION TO FINANCIAL ACCOUNTING

(Foundation in Business)

13 OCTOBER 2018
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX** pages with **FOUR** questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

STRUCTURED [100 MARKS]

Instructions: Answer **ALL** questions. Write your answers in the Answer Booklet.

QUESTION 1

The financial year of Husein Enterprise ends on 31st December each year. The opening debit balance of the business bank account on 1st January 2016, was RM200,000.

Husein Enterprise purchased a new equipment which was priced at RM100,000. The insurance against damage for the equipment while being transported to the business premises of Husein Enterprise amounted to RM2,000. Transportation costs involved to deliver the equipment amounted to RM5,000. Installation costs of new equipment amounted to RM8,000. This equipment was purchased, transported and installed on the same day, 1st July 2016. The business paid all the relevant costs with cheques.

Husein Enterprise uses the straight line method for calculating depreciation. Assume that the equipment can be used for 5 years and the salvage value is estimated to be RM20,000, and the calculation of depreciation expense is to be based on the period of ownership (i.e. one month's depreciation for one month's ownership). After using the equipment for more than a year, Husein Enterprise sold the equipment for RM80,000 by cheque on 30th September 2017.

REQUIRED

a) Classify each of the following as a capital expenditure or revenue expenditure.
   i) Cost of new equipment RM100,000
   ii) Insurance against damage for transporting the new equipment to the business premises RM2,000
   iii) Transportation costs to deliver the new equipment RM5,000
   iv) Installation cost of new equipment RM8,000

(4 marks)

b) Calculate the total equipment cost to be recorded in the equipment account. (2.5 marks)

c) Calculate the depreciation of the new equipment for 2016 and 2017. (5 marks)

d) Record and balance off the following accounts on 31st December 2016 and 2017:
   i) Bank Account (3.5 marks)

   ii) Equipment Account (2 marks)

   iii) Accumulated Provision for Depreciation of Equipment Account (4 marks)

   iv) Disposal of Equipment Account (4 marks)

(Total 25 marks)

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QUESTION 2

Part A

The financial year of Bukit Beruang Community Club ends on 31st December. The treasurer of the club provided the following information.

	1st January 2017	31st December 2017
Subscription received in advance	RM900	RM700
Subscription in arrears	RM300	RM400
Rent Accrued	RM500	RM800
Insurance paid in advance	RM300	RM600

Amount received during the year ending 31st December 2017:

Subscriptions	RM9,000
Proceeds of sale of old equipment	RM1,800

Amount paid during the year ending 31st December 2017:

Insurance	RM2,000
Rent and Rates	RM3,000
General Expenses	RM4,000
New Equipment	RM5,000

All the old equipment was sold and replaced by new equipment in 2017. The net book value of the old equipment was RM800 on the date of disposal. All equipment is depreciated by 20% per annum on cost of equipment held at the end of each financial year. The policy of the club is to provide full year depreciation on equipment in the year of purchase and no depreciation is charged in the year of disposal.

REQUIRED

a) Prepare a Subscription Account. (4 marks)

b) Prepare an Income and Expenditure Account for the year ending 31st December 2017. (8 marks)

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Part B

Abu and Ali are in partnership. Their partnership agreement states the following:

1) Interest on capital is paid at the rate of 5% per annum.
2) Interest on drawings is charged at the rate of 10% per annum.
3) Profits and losses are shared in the ratio of 1:4 respectively.

The following information is provided.

	RM
Capital Accounts (as at 1st January 2017):	
Abu	10,000
Ali	50,000
Current Accounts (as at 1st January 2017):	
Abu	2,000
Ali	5,000

On 1st July 2017, Ali introduced additional capital of RM20,000 cash into the partnership. Cash drawings of RM1,000 and RM3,000 have been made on 1st January 2017 and 1st March 2017 by Abu and Ali respectively. Total net profit before appropriation for the year ending 31st December 2017 was RM100,000.

REQUIRED

a) Prepare Profit and Loss Appropriation Account for the year ending 31st December 2017. (6 marks)

b) Prepare and balance off the Current Accounts. (7 marks)

(Total 25 marks)

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QUESTION 3

The balances extracted from the books of Meriah Berhad on 31st December 2017 were as follows:

	RM
Retained profit (1/1/2017)	360,000
Equipment at cost	380,000
Accumulated depreciation of equipment (1/1/2017)	114,000
Gross profit (31/12/17)	820,000
Accounts receivables	1,230,000
Commission received	115,000
Rental income	80,000
Rental expenses	30,000
Director's fees	74,000
Allowance for doubtful debts (1/1/2017)	4,800
General and administration expenses	72,000
Salaries and wages	320,000
Inventory (31/12/2017)	244,000
Ordinary shares capital	150,000
6% Preference shares capital	250,000
Interim dividend for ordinary shares	25,000
Interim dividend for preference shares	15,000
General reserves (1/1/2017)	90,000
8% Loan notes	150,000
Loan notes interest	8,000

You are given the following additional information:

1) Loan notes interest accrued on 31st December 2017 was RM4,000.
2) The allowance for doubtful debts is to be decreased by RM800.
3) A depreciation charge is to be made on equipment at the rate of 15% per annum on cost.
4) Corporate tax : will be payable, 30% on the profit of this year.
5) The directors decided to transfer RM 42,000 to general reserves.
6) Salaries and wages accrued on 31st December 2017 amounted to RM10,000.
7) Rental expenses paid in advance on 31st December 2017 amounted to RM4,000.
8) General and administration expenses accrued on 31st December 2017 amounted to RM2,000.
9) Commission received in advance on 31st December 2017 amounted to RM5,000.

REQUIRED

a) Prepare Statement of Profit or Loss for the year ending 31st December 2017. (16 marks)

b) Prepare Statement of Changes in Equity for the year ending 31st December 2017. (9 marks)

(Total 25 marks)

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QUESTION 4

Part A

The following financial statements were provided by Warrior Sdn. Bhd.:

Statements of Financial Position
as at 31st December 2016 and 2017

	2016 (RM)	2017 (RM)
Assets:		
Non-Current Assets	890,000	720,000
Closing Inventory	400,000	300,000
Accounts Receivable	180,000	150,000
Cash and Bank	200,000	220,000
Total Assets	1,670,000	1,390,000
Liabilities:		
Non-current Liabilities	400,000	200,000
Current Liabilities	270,000	140,000
Total Liabilities	670,000	340,000
Shareholders' Equity:		
6% Preference Shares, RM100 par	100,000	100,000
Ordinary Shares, RM10 par	500,000	520,000
Retained Earnings	400,000	430,000
Total Shareholders' Equity	1,000,000	1,050,000
Total Liabilities and Shareholders' Equity	1,670,000	1,390,000

Statements of Profit or Loss
for the year ending 31st December 2016 and 2017

	2016 (RM)	2017 (RM)
Net Sales	750,000	690,000
Cost of goods sold	(450,000)	(300,000)
Gross profit	300,000	390,000
Other Incomes	12,000	15,000
Total Expenses	(148,000)	(140,000)
Net profit	164,000	265,000

REQUIRED

Calculate the following for **2017** (show all workings).

a) Acid test ratio (3 marks)

b) Net profit as percentage of sales (3 marks)

c) Return on assets (4 marks)

d) Inventory turnover (3 marks)

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Part B

Indicate each of the following items is either a cash inflow or outflow and in which section of the statement of cash flows it would be reported.

No.	Item	Inflow or Outflow	Section of the Statement of Cash Flows
a)	Payments to acquire investments in other entities		
b)	Receipts from issuing shares		
c)	Corporation tax paid		
d)	Receipts from sales of non-current assets		
e)	Payments to redeem the entity's shares		
f)	Payment of account payables		

(12 marks)

(Total 25 marks)

End of Paper